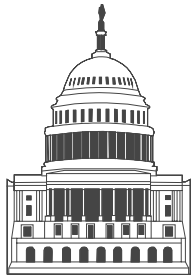


SENATE
REPUBLICAN
CAUCUS
CHAIRMAN



CAPITOL OFFICE
ROOM 5087
(916) 445-9600

FRESNO OFFICE
(559) 253-7122

ANALYST RAISES
QUESTIONS
ABOUT
GOVERNOR'S
BUDGET

"I am relieved that the state's Legislative Analyst is casting a watchful eye on this Administration's budget-crafting tactics. Clearly, the budget proposed last week by the Governor continues this Administration's tradition of banking on fiscal schemes."

-Chuck Poochigian

JANUARY 15, 2003

Senator Charles S. Poochigian



Capitol Update

ANALYST RAISES QUESTIONS ABOUT THE GOVERNOR'S BUDGET

Last week, Governor Davis announced his proposed budget for the fiscal year beginning July 1, 2003. Over the next six months the Legislature will debate the various features of and make amendments to his Administration's proposal.

The non-partisan Legislative Analyst's Office (LAO) today released a preliminary review of the budget (a considerably more thorough analysis will be released in February). **According to the LAO, the budget released by the Governor just last Friday "overstated both the problem and the level of required solutions."**

In November, the LAO analyzed the state's fiscal situation and projected a budget shortfall of \$21.1 billion versus the \$34.6 billion projected by the Governor, creating a \$13.5 billion discrepancy. The \$13.5 billion difference is significant, since the Governor is proposing to raise taxes by over \$8.5 billion annually.

Among numerous items that the LAO cites as discrepancies are the following (from page 5):

"Reserve. The administration has included \$1 billion in its estimate to fund a reserve, whereas our November estimate was simply of the budget deficit that would face California, absent corrective action. This adds \$1 billion to the administration's forecast of the problem relative to our estimate. Also, the 2003-04 budget proposes a reserve of about \$500 million, and the administration is scoring the difference between this and the \$1 billion as a budget solution.

"Mandates. About \$1.2 billion is due to different assumptions about how quickly prior-year mandate claims would be paid to school districts and other local governments. The administration's definition of the problem assumes that *all* of the past claims would be paid in 2003-04. In contrast, our [the LAO] estimate assumes that past claims will be paid over a multi-year period (as has been done in the past)."

The entire report can be viewed at:

http://www.lao.ca.gov/2003/budget_overview/03-04_budget_overview.html